



Legislative Bill Analysis

[Assembly Bill 1361](#) (Hoover)
February 17, 2023 (Introduced)
Program: Property Taxes
Revenue and Taxation Code section 253.3
Effective: Immediately

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Summary: This bill would authorize any person to file a written preliminary application with the County Assessor, in the form and manner required by the County Assessor, for purposes of determining whether a property the person intends to purchase is eligible for a veterans' exemption. The bill would require the preliminary application to be filed only after the person has entered into a real estate purchase agreement for the property, but before the person takes ownership of the property.

Fiscal Impact Summary: No revenue impact.

Existing Law: The California Constitution¹ provides that all property is taxable unless otherwise provided by law. The California Constitution provides two exemptions for veterans.

Veterans' Exemption. The California Constitution provides a veterans' exemption, not to exceed \$4,000, for qualified veterans who own limited property.² The veterans' exemption may be claimed by a person currently serving in military service or one who has been honorably discharged, the unmarried surviving spouse, or either parent of a deceased veteran meeting the service requirements. In order to qualify for this exemption, the claimant may not own property, real or personal, worth more than \$5,000 if the claimant is single. If married, the couple may not own property worth more than \$10,000. In addition, the claimant must have lived in California on the lien date, January 1.

To apply for the veterans' exemption, a claim must be filed each year with the Assessor of the county where the property is located. When making the first claim, any person claiming the veterans' exemption, or the spouse, legal guardian, or conservator of such person, or one who has been granted a power of attorney by such person, must appear before the County Assessor, give all information required, answer all questions in an affidavit prescribed by the State Board of Equalization (BOE), and subscribe and swear to the affidavit before the County Assessor. In subsequent years the person claiming the veterans' exemption, or the spouse, legal guardian, or conservator of such person, or one who has been granted a power of attorney by such person, may file the affidavit under penalty of perjury by mail.

This exemption has become effectively obsolete because, for any veteran who owns a home, the homeowners' exemption of \$7,000 provides greater tax savings. Veterans who do not own homes but own other taxable property (i.e., a boat, vehicle, or business personal property) are disqualified from the veterans' exemption if they own property with an aggregate worth of more than \$5,000 (if single) or \$10,000 (if married). Most recent BOE data indicate zero applications for this exemption.

Disabled Veterans' Exemption. Revenue and Taxation Code section [205.5](#) exempts fully or partially from property tax, the principal place of residence of a veteran, that is owned by the veteran, the veteran's spouse, or jointly by the veteran and the veteran's spouse, if the veteran because of injury or disease incurred in military service, is blind in both eyes, has lost the use of two or more limbs, or is totally disabled. The exemption also applies to property that is owned by, and is the principal place of residence of, the

¹ California Constitution article XIII, section 1.

² Article XIII, section 3, subdivisions (o), (p), (q), (r); see also Revenue and Taxation Code (RTC) section 205.

unmarried surviving spouse of a deceased veteran if the deceased veteran qualified for the exemption during the veteran's lifetime or if the veteran died from a disease that was service connected as determined by the United States Department of Veterans Affairs (USDVA). This exemption is commonly referred to as the "disabled veterans' exemption".

RTC section 277³ requires that anyone claiming the disabled veterans' exemption must file a claim with the County Assessor and provide any information required by the Board. This information shall include, but shall not be limited to, the name of the person claiming the exemption, the person's social security number or another personal identifying number, the address of the property, and a statement to the effect that the claimant owned and occupied the property as the claimant's principal place of residence on the lien date, or that the claimant intends to own and occupy the property as the claimant's principal place of residence on the next succeeding lien date, and proof of disability as defined by section 205.5. Currently, a disabled veteran must have a disability rating of 100 percent to be eligible for the exemption; no partial exemption is allowed for a rating less than 100 percent.

Proposed Law:

Verifying Eligibility for Exemption. This bill adds section 253.3 to the RTC and states that any person may file a written preliminary application with the County Assessor, in the form and manner required by the County Assessor, for purposes of determining whether a property the person intends to purchase is eligible for a veteran's exemption. The preliminary application would be required to be filed only after the person has entered into a real estate purchase agreement for the property, but before the person takes ownership of the property. All necessary information required to evaluate the property's eligibility for the applicable veterans' exemption shall be included with the application.

AB 1361 would require the County Assessor to process the application and send a written determination on the application containing specified information within 15 business days following receipt of a complete preliminary application. The bill would provide that if the application is preliminarily approved, the person shall receive the veterans' exemption, and the County Assessor shall process the exemption, for the property when the person receives ownership of the property. The bill would provide that the person is not required to file another claim for the exemption. By imposing additional duties on local tax officials, the bill would impose a state-mandated local program.

In General:

Veterans' Exemption. In order to qualify for the veterans' exemption, a person must first be considered a veteran by the government by meeting certain criteria regarding his or her service as a veteran. A *veteran* means a person serving or who has served in and has been discharged under honorable conditions from service, in the United States Army, Navy, Air Force, Marine Corps, Coast Guard, or Revenue Marine (Revenue Cutter) Service; and served in either of the following:⁴

- In time of war or in time of peace in a campaign or expedition for which a medal has been issued to the veteran by Congress, or
- In time of peace and because of a service-connected disability was released from active duty.

Persons from the National Guard or National Guard Reserve who are called into active service as part of the Armed Forces of the United States may also qualify for the veterans' exemption.

There are 26 wars and 4 campaigns that qualify for the veterans' exemption. The majority of the wars and campaigns listed were over 100 years ago, dating back to the Revolutionary War. 22 of the 26 wars that ended

³ [RTC section 277](#)

⁴ Article XIII, section 3, subdivisions (o), (p), and (q).

prior to 1902 are not listed below, since the likelihood of any qualified veterans or, if deceased, their spouses or parents, are no longer living. The following wars or campaigns are those which may still have living qualified claimants:

- War with Germany-Austria, April 6, 1917 - November 11, 1918
- World War II, December 7, 1941 - January 1, 1947
- Campaign against the North Koreans and Chinese Communists in Korea, June 27, 1950 - January 31, 1955
- Campaign against the Viet Cong and North Vietnamese Communists in South Vietnam, August 5, 1964 - May 8, 1975
- First Nicaraguan campaign, July 29, 1912 - November 14, 1912
- Second Nicaraguan campaign, August 27, 1926 - January 2, 1933
- Yangtze River campaign in China, September 3, 1926 - October 21, 1927, or March 1, 1930 - December 31, 1932
- All other campaigns for service in which a medal has been issued to the veteran by the Congress of the United States

To apply for the veterans' exemption, a claim must be filed each year with the Assessor of the county where the property is located. The claim form, BOE-261, *Claim for Veterans' Exemption*, is available from the County Assessor. To receive the full 100 percent exemption for property owned on the January 1 lien date, the claim must be filed by February 15.

Disabled Veterans' Exemption. California law provides a qualified disabled veteran, or their unmarried surviving spouse may apply for the disabled veterans' exemption to reduce the assessed value of their principal residence. Exemption eligibility provisions require that the claimant obtain a USDVA disability rating that either (1) rates the veteran's disability at 100 percent, or (2) rates the veteran's disability compensation at 100 percent because the veteran is unable to secure and maintain gainful employment.

The law also allows unmarried surviving spouses to receive the exemption if the spouse's death was service connected. In the case of a service-connected death, to be eligible for the exemption, surviving spouses must receive a USDVA determination that the spouse's death was service connected. A USDVA determination is necessary for (1) active-duty personnel deaths (i.e., the service person was not a "veteran"), and (2) veterans without a 100 percent rating when alive, but whose cause of death is deemed service connected. Surviving spouses of veterans continue to receive the exemption after the veteran's death, so long as they do not remarry.

The law provides two levels of exemption, depending upon the claimant's income. For the 2023-24 fiscal year, the basic exemption adjusted for inflation will be \$161,083. However, if the claimant's income is less than \$72,335, the exemption amount will be \$241,627. For the 2022-23 assessment year, 68,114 disabled veterans, or their unmarried surviving spouses were granted the disabled veterans' exemption.

Commentary:

1. **Download Eligibility Letter.** In relation to the supporting information required to be submitted with the preliminary application, the USDVA provides easy access on their website for veterans to download benefit related letters. The download is free, and the latest version of Adobe Acrobat Reader is required. A link to download Acrobat Reader is provided on the USDVA website. Letters can also be downloaded on mobile devices.

2. **Proactive Move, Streamline Process.** Veterans may proactively apply for the exemption via the preliminary application to enable counties to analyze and determine exemption eligibility during the real estate process or before close of escrow. This would only work in a timely manner if the application adhered to the county guidelines and included all pertinent required information. From the counties' perspective, real estate transactions or escrows can fail, hence there are chances that any approval work before close of escrow may go to waste. Overall, this initiative can be viewed as a shift in the phase or point of exemption verification and approval.
3. **Applicants.** This bill allows "any person" to file the preliminary application. This may allow filings by persons who are not qualified or fraudulent filings. The author may want to consider limiting those who may file to only qualified applicants.
4. **Preliminary Application.** This bill allows each County Assessor to create a preliminary application. This may lead to 58 different types of applications. The author may want to consider having the BOE prescribe this form, as is required for many forms used by County Assessors, so the form is consistent for all 58 counties. Coordination between the BOE and California Assessors' Association (CAA) may be necessary in the creation of the preliminary application.
5. **15 Business Days.** The current process for a disabled veteran property tax exemption takes roughly two to four months or longer from start to finish. This bill proposes a mandated 15 business day turnaround period which may require strategic workload planning and/or additional staffing for counties.
6. **Filing.** Once the preliminary application is approved and ownership of property is received by the claimant, the claimant shall receive the exemption and does not have to file another claim for the exemption. The postmark date of the preliminary application may be crucial for determining filing period to see if the application is considered timely filed or late filed.
7. **Filed by Any Person.** Generally, the disabled veteran or the unmarried surviving spouse may file a BOE claim form for the exemption. However, in 2022, [SB 667](#) amended RTC section [277](#) to allow (1) the executor, administrator, or personal legal representative of the claimant's estate, or (2) the trustee of the deceased claimant's trust assets, to file a claim with the County Assessor. Passage of this bill may further expand the group of individuals that can file for this exemption. This could be seen as a conflict with RTC 277, and may cause confusion as to how to administer it in conjunction with RTC section 277.
8. **Veterans' Exemption.** As discussed above, AB 1361 applies to both the veterans' and disabled veterans' exemption. The veterans' exemption has become effectively obsolete because for any veteran who owns a home, the homeowners' exemption of \$7,000 provides greater tax savings. Veterans who do not own homes, but own other taxable property (i.e., a boat or business personal property) are disqualified from the veterans' exemption if they own property worth more than \$5,000 (if single) or \$10,000 (if married). Most recent BOE data indicate zero applications for this exemption.
9. **Veterans' Exemption Filing.** The veterans' exemption requires that a claim be filed each year, but RTC section 253.3 would only require one filing. This could be seen as a conflict of law, and cause confusion in how to administer the exemption.
10. **Low Income Disabled Veterans Exemption.** AB 1361 states that once the exemption is attained via the preliminary application process, the veteran will not be required to file another claim for the exemption. It should be noted that currently, low-income disabled veterans' exemption requires annual filing as certification of income is required.

11. **Related Legislation.** [SB 82](#) (Seyarto) provides that the County Assessor shall accept an electronically generated letter of service-connected disability, in lieu of an original letter of service-connected disability, at the discretion of the claimant, for purposes of verifying eligibility for an exemption. For a 10-year period, [SB 726](#) (Archuleta) proposes to add another disabled veterans' exemption in lieu of the existing exemption

Costs: In relation to the writing of a Letter To Assessors and the posting of the letter to the website, the BOE would incur costs of approximately \$1,051.

Revenue Impact: No direct impact.